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Canada. Railways, Canals and Telegraph
Lines, Standing Committee on, 1957

(HOUSE OF COMMONS

Fifth Session—Twenty-second Parliament

Government
Publications

1957)

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UNIVERSITY OF TORONTO

STANDING COMMITTEE

ON

**RAILWAYS, CANALS AND
TELEGRAPH LINES**

Chairman: H. B. McCULLOCH, ESQ.

MINUTES OF PROCEEDINGS AND EVIDENCE
No. 1

BILL No. 105 (Letter P-1 of the Senate),
An Act to incorporate Alaska-Yukon Pipelines Ltd.

TUESDAY, MARCH 5, 1957

WITNESSES:

Mr. J. G. Porteous, Q.C., Counsel, Montreal; Mr. John C. Rogers, General
Manager, H. C. Flood & Co., Montreal; and Mr. T. Nelson, Technical
Consultant.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1957.

STANDING COMMITTEE
ON
RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: H. B. McCulloch, Esq.,
and Messrs:

Anderson	Garland	Langlois (<i>Gaspé</i>)
Barnett	Goode	Lavigne
Batten	Gourd (<i>Chapleau</i>)	Leboe
Bonnier	Green	Maltais
Boucher	Habel	McBain
Buchanan	Hahn	McIvor
Byrne	Hamilton (<i>York West</i>)	Meunier
Campbell	Harrison	Murphy (<i>Lambton West</i>)
Carter	Healy	Murphy (<i>Westmorland</i>)
Casselman	Herridge	Nesbitt
Cauchon	Hodgson	Nicholson
Cavers (<i>Vice-Chairman</i>)	Holowach	Nickle
Clark	Hosking	Nixon
Decore	Howe (<i>Wellington-</i>	Nowlan
Deschalets	<i>Huron</i>)	Purdy
Dufresne	Hoffman	Small
Dupuis	James	Viau
Ellis	Johnston (<i>Bow River</i>)	Villeneuve
Follwell	Kickham	Vincent
Gagnon	Lafontaine	Weselak

Antonio Plouffe,
Clerk of the Committee.

ORDERS OF REFERENCE

HOUSE OF COMMONS,
JANUARY 24, 1957.

Resolved,—That the following Members do compose the Standing Committee on Railways, Canals and Telegraph Lines

Messrs.

Anderson,	Goode,	Leboe,
Barnett,	Gourd (<i>Chapleau</i>),	Maltais,
Batten,	Green,	McBain,
Bonnier,	Habel,	McCulloch (<i>Pictou</i>),
Boucher,	Hahn,	McIvor,
Buchanan,	Hamilton (<i>York West</i>),	Meunier,
Byrne,	Harrison,	Murphy (<i>Lambton West</i>),
Campbell,	Healy,	Murphy (<i>Westmorland</i>),
Carter,	Herridge,	Nesbitt,
Casselman,	Hodgson,	Nicholson,
Cauchon,	Holowach,	Nickle,
Cavers,	Hosking,	Nixon,
Clark,	Howe (<i>Wellington-</i>	Nowlan,
Decore,	<i>Huron</i>),	Purdy,
Deschatelets,	Huffman,	Small,
Dufresne,	James,	Viau,
Dupuis,	Johnston (<i>Bow River</i>),	Villeneuve,
Ellis,	Kickham,	Vincent,
Follwell,	Lafontaine,	Weselak—60.
Gagnon,	Langlois (<i>Gaspé</i>),	
Garland,	Lavigne,	

(Quorum 20)

Ordered,—That the Standing Committee on Railways, Canals and Telegraph Lines be empowered to examine and inquire into all such matters and things as may be referred to them by the House; and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records.

TUESDAY, February 19, 1957.

Ordered,—That the quorum of the said Committee be reduced from 20 to 12 members and that Standing Order 65(1)(b) be suspended in relation thereto.

Ordered,—That the said Committee be authorized to sit while the House is sitting.

Ordered,—That the said Committee be empowered to print, for the use of the Committee and of Parliament, such papers and evidence as may be ordered by the Committee and that Standing Order 66 be suspended in relation thereto.

FRIDAY, March 1, 1957.

Ordered,—That the following Bill be referred to the said Committee:
Bill No. 105 (Letter P-1 of the Senate), intituled: "An Act to incorporate Alaska-Yukon Pipelines Ltd."

Attest.

LEON J. RAYMOND,
Clerk of the House.

REPORTS OF THE HOUSE

MARCH 5, 1957.

The Standing Committee on Railways, Canals and Telegraph Lines begs leave to present the following as its

THIRD REPORT

Your Committee has considered Bill No. 105 (Letter P-1 of the Senate), intituled: "An Act to incorporate Alaska-Yukon Pipelines Ltd.", and has agreed to report the said Bill without amendment.

Respectfully submitted,

H. B. McCULLOCH,
Chairman.

MARCH 5, 1957.

The Standing Committee on Railways, Canals and Telegraph Lines begs leave to present the following as its

FOURTH REPORT

Your Committee reported this day Bill No. 105 (Letter P-1 of the Senate), intituled: "An Act to incorporate Alaska-Yukon Pipelines Ltd.", as its Third Report. Clause 3 of the said Bill provides for capital stock of one million shares without nominal or par value.

Your Committee, in this respect, recommends that for taxing purposes under Standing Order 94(3), each such share be deemed to be worth one dollar.

Respectfully submitted,

H. B. McCULLOCH,
Chairman.

(Fourth Report concurred in this day.)

MINUTES OF PROCEEDINGS

TUESDAY, March 5, 1957.

(2)

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 11.00 a.m. The Chairman, Mr. H. B. McCulloch, presided.

Members present: Messrs. Anderson, Batten, Carter, Cavers, Deschatelets, Gourd (*Chapleau*), Green, Habel, Hamilton (*York West*), Herridge, Hosking, James, Johnston (*Bow River*), Lafontaine, McCulloch (*Pictou*), McIvor, Murphy (*Lambton West*), Nicholson, and Purdy. (18)

Also present: Mr. George J. McIlraith, M.P.

In attendance: Mr. J. A. Simmons, M.P., sponsor of Bill No. 105; Mr. J. G. Porteous, Q.C., Montreal, Counsel and representing Mr. Cuthbert Scott, Q.C., Registered Parliamentary Agent; Mr. John C. Rogers, General Manager, H. C. Flood and Co. Limited, Investment Dealers, Montreal, and Mr. T. Nelson, Technical Consultant for the proposed company.

The Committee considered Bill No. 105 (P-1 of the Senate), An Act to incorporate Alaska-Yukon Pipelines Ltd., which was referred to the Committee by the House on March 1st.

On motion of Mr. Carter seconded by Mr. Lafontaine,

Resolved,—That the Committee print 600 copies in English and 150 copies in French of its Minutes of Proceedings and Evidence in relation to Bill No. 105.

On the Preamble

Mr. Simmons introduced Messrs. Porteous, Rogers, and Nelson who were then called, made statements and were jointly examined.

Mr. Porteous filed with the Committee a prospectus of the Alaska-Yukon Refiners & Distributors Ltd., copies of which were distributed.

Mr. Porteous filed with the Committee a map showing the route of the proposed pipeline and referred to it in the course of his examination.

By leave, Mr. McIlraith addressed the Committee on matters closely related to the proposed pipeline. Mr. McIlraith was questioned.

The Preamble was adopted and the Committee considered the Bill clause by clause.

Clauses 1 and 2 were adopted.

On Clause 3

Mr. Porteous produced an affidavit to the effect that the aggregate consideration for which the shares will be issued will not exceed one million dollars.

Thereupon, on motion of Mr. James, seconded by Mr. Batten,

Resolved,—That, for the purpose of levying charges under Standing Order 94 (3) on the proposed capital stock consisting of One Million shares without nominal or par value, the Committee recommend that each such share be deemed to be worth One Dollar.

Clause 3 was adopted.

Clauses 4 to 11 inclusive were adopted.

The Title and the Bill were adopted.

Ordered,—That the Chairman report the Bill without amendment and also the appropriate recommendation in respect of Clause 3.

Messrs. Porteous, Rogers and Nelson were retired.

At 12.50 o'clock p.m. the Committee adjourned to the call of the Chair.

Antonio Plouffe,
Assistant Chief Clerk of Committees.

EVIDENCE

TUESDAY, March 5, 1957.

The CHAIRMAN: Gentlemen, we have a quorum. Bill No. 105 is an act to incorporate Alaska-Yukon Pipelines Limited. The discussion at this point is on the preamble.

Mr. HERRIDGE: Mr. Chairman, I would suggest that on the preamble would be a good time to call on Mr. Simmons to tell us what the people in the Yukon Territory think about this.

Mr. J. A. SIMMONS (*Yukon*): Mr. Chairman and gentlemen, first of all we have three witnesses who are here today. I would like to introduce them. First of all we have Mr. J. G. Porteous, Q.C., from Montreal who is a director of the Alaska-Yukon Refiners and Distributors Limited, and who is today acting as parliamentary agent in place of Mr. Scott. We have also Mr. J. C. Rogers, an incorporator of the pipelines and also a director of Alaska-Yukon Refiners and Distributors Limited. Then we have with us an old friend from the Yukon and Alaska, Mr. T. Nelson. Mr. Nelson is the general manager of the Alaska-Yukon Pipelines Limited. You will have an opportunity to hear from these gentlemen later if you so desire.

In respect to the question put by my honourable friend, the member for Kootenay West (Mr. Herridge) I believe he wished to know what the attitude is of the people in the Yukon Territories with respect to this bill. I might say from the information I have that the people are very enthusiastic about this project coming into our north country. As you know we have been lacking in industrial development such as this for many, many years. This will be an industrial incentive. I am not going on to discuss the merits or the demerits of this particular bill because you will have an opportunity to ask questions of the witnesses.

I believe also that my friend Mr. Herridge had another question to ask concerning the name of Alaska-Yukon Pipelines Limited. I believe it was Mr. Herridge's suggestion that the name be changed to read Yukon-Alaska Pipelines Limited. This is impossible for one reason. My honourable friend will know that in 1955 a bill was incorporated in parliament under the name of Yukon Pipelines Limited. Therefore the names would conflict. That is why it was decided to call it Alaska-Yukon Pipelines Limited. Your constituency, Mr. Herridge, is Kootenay West. What difference would it make if it was called West Kootenay?

Mr. HERRIDGE: But the Kootenay and the West are both in Canada.

Mr. SIMMONS: Mr. Chairman, I will not take up any more of the time of the committee.

Mr. HAMILTON (*York West*): Is the Yukon Pipelines Limited a going concern at the present time?

Mr. SIMMONS: Yes.

Mr. NICHOLSON: I wonder if we might hear at this point from Mr. Porteous.

The CHAIRMAN: I now call on Mr. Porteous.

Mr. J. G. Porteous, Q.C., counsel for Alaska-Yukon Pipelines, Ltd., called.

The WITNESS: Mr. Chairman, I should file with the committee this map, and the members will have a better opportunity to see where we are and what we are proposing to do.

I think I can suggest another answer to Mr. Herridge's question as to the name. We originate in Alaska. Tide water is in Alaska as we all know. The pipeline would actually start there and pump from the tide water. The projected line is marked here in blue. It starts from Haines in Alaska, which is a tide water open port, and it will go up to Haines Junction in the Yukon a distance of about 150 miles.

By Mr. Herridge:

Q. What percentage of it is on American territory?—A. About one-quarter. We are not, obviously, asking this company to operate the part in Alaska. We must comply with the laws of the territory of Alaska and have an Alaskan company operate that part. It will form a part of the major project which is to operate in Canada.

By Mr. Johnston (Bow River):

Q. Have you undertaken to form that company?—A. We have authorized a lawyer at Fairbanks to proceed with that legislation. We have asked for a bill to allow us to expropriate if necessary for the right of way from Haines to the border.

By Mr. Hamilton (York West):

Q. If you are doing that, why do you ask in this bill to have the power to do this business outside of Canada?—A. The title will be Alaskan but we will be operating the facilities.

Q. Will this be a Canadian company doing business in the United States?—A. That is quite possible.

By Mr. Nicholson:

Q. You said quite possible. Would you explain that?—A. There are some things which arise as to what the best treatment is taxwise. If a Canadian company can lease the Alaskan part of the enterprise and operate it and throw it into one pool—but the title must be an Alaskan company.

Q. Is that a requirement of the United States?—A. Yes. We have the same thing. It is much simpler to do it in that way. We have also the right to expropriate. We could own the thing but we would not have any right to expropriate, but the Alaskan creature could obtain the right to expropriate if necessary. If this bill passes we will have the right to expropriate in Canada but not in the United States.

Q. Will the officers of the American company be the same?—A. Yes. We will start at Haines and go to Haines Junction. At Haines Junction—and this is marked here in blue—we hope and have reason to believe we will be able to tie in with the existing Canol line which follows up to Fairbanks, which is in red. I have left it red in order to show it is an existing line. It goes east to Watson Lake. At the moment it is still the property of the United States, and they are getting themselves organized to declare it surplus. When it is declared surplus it will revert to Canada.

By Mr. Johnston (Bow River):

Q. Are there any refineries along that American line?—A. No.

By Mr. Cavers:

Q. Have you the right to use that line?—A. Not at the moment, because it has to be declared surplus by the United States army. However, we have been in communication with them. The line is inactive.

Mr. SIMMONS: It has been approved in principle?

The WITNESS: Yes.

By Mr. Hamilton (York West):

Q. When you say it reverts to Canada do you mean to the people of Canada?—A. Yes. I think it falls under the department of northern affairs. When it is declared surplus by the United States it reverts to Canada.

By Mr. Herridge:

Q. That is part of the Canol system?—A. Yes.

By Mr. Hosking:

Q. Is it in operation at the present time?—A. No.

Q. Is it in existence?—A. Yes.

Mr. SIMMONS: One part of the system which was declared and taken up ten years ago was from Johnston's Crossing ninety miles south along the highway, across the divide to the Mackenzie River and Norman Wells. It does not interfere with this system.

Mr. JOHNSTON (*Bow River*): Is that the only outlet to Norman Wells?

Mr. SIMMONS: The only pipe line outlet from Norman Wells.

By Mr. Hosking:

Q. Are there any other gas lines in that district?—A. No, not gas lines. Do you mean for petroleum products?

By Mr. Herridge:

Q. You mentioned the United States army declaring it surplus. On May 26, 1950 at page 2904 of *Hansard*, Mr. Chevrier, the Minister of Transport, stated that when the Canadian government purchased the Northwest Communications Line, which had been built by the American government along the Alaska highway, the Canol project was included. This purchase was made under the over-all Morgenthau-Ilseley agreement. The amount paid under this agreement was some \$11 million and included the Canol project, the communications system and many other things.

Mr. SIMMONS: I believe, Mr. Herridge, that the system was purchased but it had no bearing on the existing pipelines as they now stand. It may have included the line from Johnston's Crossing and across to the Mackenzie, but I do not know. I know that it did not affect the other lines that are in existence today.

The WITNESS: I do not quite understand that statement because we are in communication with the head of the department of the United States army about that.

Mr. MCILRAITH: That was in reference to another part of the project. I do not want to break in at this time. I would be glad later on if the committee wishes me to go into this.

Mr. NICHOLSON: Mr. Porteous stated that this Canol project belongs to the United States. According to Mr. Chevrier it was purchased by Canada.

Mr. CAVERS: It might be wise for us to allow Mr. Porteous to make his statement first and then have questions.

The WITNESS: There has been some reference made to the Alaska-Yukon Refiners and Distributors Limited which is a company incorporated and properly financed. That company is presently establishing marine and other terminals for the storage of gasoline and is organizing distribution companies in the Yukon and in Alaska. It then proposes, at a later date, to include a refinery for two purposes, to reduce the cost of petroleum products going into the Yukon Territory and second to bring crude oils to Haines, refine them there and then pump it into the pipe line. The combination of the refinery and the

pipe line will be material in reducing the cost of petroleum products to the Yukon Territory. The consumption of petroleum products in the Territory is very high in comparison to other parts of Canada, and it is therefore important.

I do not know whether there are any other explanations I can give to the committee as to the purpose and objectives. We have here in blue circles Kluane Lake, where we will have a tank and there will be another one at Whitehorse and at Watson Lake. Some of them exist already in part. They will be put in operation and used to distribute from there by truck. The pumping of gasoline to Watson Lake would allow gasoline and other petroleum products to be distributed into the northern part of British Columbia on a much cheaper basis than at present. It has to come up from the south to the north. The pipe line will not operate in British Columbia except for a little distance at the neck, but the service to British Columbia will be greatly improved in respect to the distribution of products.

By Mr. Johnston (Bow River):

Q. You are only interested in the pipe line and not in the refinery?—A. Oh, yes. The five applicants for incorporation are all officers or directors of the Alaska-Yukon Pipelines Limited and I myself am also a director of the refinery and distributors. You have to have a pipe line company to move by pipe line even if you are a normal distributing company.

By Mr. Murphy (Lambton West):

Q. Where are you getting the oil from? Are you getting it from the Norman Wells area?—A. No. The petroleum products will come in by tanker to Haines where they are building a marine terminal.

Q. What market would it be obtained from?—A. From the world market. It might come from Alberta via the West Coast Transmission Company.

By Mr. Hamilton (York West):

Q. To begin with it will be refined products with the intention later on of building refineries?—A. Yes. The third stage is the refinery. First the finished products and the pipe line, and then the refinery to supply the broadened market. That is the formula.

Q. How do you get gasoline into that area at the present time?—A. There is the Whitehorse Yukon Railway, which brings it in by tank cars to Whitehorse, and the other way is by truck where there is a road.

By Mr. Herridge:

Q. Will this mean a lower cost of fuel for defence purposes in the area?—A. Yes. We will be supplying petroleum products to anybody, and it is estimated it will be a third less.

Mr. J. C. ROGERS: There is every reason to believe that it will substantially reduce the cost.

By Mr. Murphy (Lambton West):

Q. How close will the Westcoast Transmission Company be to your area?—A. It is away down. It will come in by tanker to here.

Q. Have you inquired as to the cost of the finished product and where it will come from?—A. Our people are engaging a marketing expert to make sure that we are paying the best price.

Q. Where are you getting the best price?—A. We are just about to start.

Q. From the exploration work which you have done already what appears to be the source for your product?—A. Canadian production at the moment. At the moment, as you will note, the charters on ocean shipping are very high and therefore the cost from the Netherlands Indies is so high that it has boosted it out of the market and that is a big help to Albertan Oil coming in.

Q. What would be your requirements at the beginning?—A. This is the prospectus. We have in here a complete story of what we are proposing to do. We expect from the initial stage we will be marketing up to 2,000 barrels of petroleum products a day in the initial operation. We have estimates from experts that we should have in mind a refinery with an ultimate capacity of up to 6,500 barrels a day. That is what our experts have told us, that the population and the forecast of the growth of the population increase in mining and other industrial activities in the area would indicate that we should project a 6,500 barrel a day refinery.

By Mr. Herridge:

Q. What would that total, roughly, in dollars?—A. One and a half million dollars for a 6,500 barrel a day refinery. Our initial expenditure for marine terminals and bulk stations will be close to \$1 million. The pipe line varies around \$3½ million and for the cost of rehabilitating the Canol system. There would be quite an amount of work to be done. Some of the pumping stations would need rehabilitation.

By Mr. Murphy (Lambton West):

Q. Are they still producing at Norman Wells?—A. Yes.

Mr. NICHOLSON: I thought that we were to wait until we heard the witness before asking questions.

By Mr. Murphy (Lambton West):

Q. What I do not understand is if Norman Wells is still producing why is there not a pipe line down to your area?

Mr. SIMMONS: There was a pipe line which the Americans built during the second world war. It was only small pipe and there is no further use for it. It was sold for scrap about ten years ago, taken up and moved. The refinery at Norman Wells is still operating but it supplies the Mackenzie district of the Northwest Territories only.

By Mr. Hosking:

Q. Do they use its total output?—A. No. They could produce a little more there but there is not the market in the Mackenzie district of the Northwest Territories to use the full output. It is only a limited market.

Mr. HODGSON: Would this pipe line be servicing that market too?

Mr. SIMMONS: No, the refinery at Norman Wells. The distance across to Whitehorse would be about 600 miles and it would not be economical to put a line across there. It is more economical to bring fuel products up the coast and to distribute them through a pipe line.

Mr. NICHOLSON: I thought we would hear all the witnesses before we began our questions, Mr. Chairman?

The CHAIRMAN: I am at that now. I asked for Mr. Rogers or Mr. Nelson.

Mr. NICHOLSON: What is our procedure to be?

The CHAIRMAN: We shall hear from Mr. Rogers or Mr. Nelson. They are the witnesses. First we will have Mr. Rogers. Now are there any questions you would like to ask him?

Mr. CAVERS: Let us hear from Mr. Rogers first.

Mr. J. C. ROGERS: (*President, H. C. Flood & Company Limited, Montreal*): My private role in life is that of an investment dealer in Montreal. We were approached to help finance the project for the distribution of petroleum products in the general area of Yukon and Alaska. I am president of H. C. Flood and Company Limited of Montreal.

At first we thought it was a pretty remote area, but after hearing from Mr. Simmons about some of the possibilities of the area, we became very much more interested. We made a tour in November of Yukon and Alaska and met a great many of the citizens there.

Our project is not only based on the present population of the area but I anticipate that there will be a substantial growth. Our experience in other parts of Canada has shown that when an area has been established, either by aeroplane or by other prospecting methods, quite frequently a subsequent development is a railroad to take care of the supplies which will be produced. But the real expansion in population takes place when a highway goes in.

The fact that the Alaska highway is there and is in excellent operating condition—I was astonished at the volume of traffic I saw on it—leads us to believe that the project has great economic merit and that it will increase the amenities of life for the people in that area.

We have divided it into four stages of progress. The first stage is to enter into markets. It would be in competition with other markets in the area but competition, we think, is a healthy thing for all people concerned. We have a good witness to that fact by Imperial Oil Company being so anxious not to be considered as an octopus in the oil business, and that they divest themselves of some of their interests so as not to be considered a monopoly.

We have also the fact that Petrofina has come into Canada and set up gasoline stations throughout Ontario and Quebec and is successfully marketing its product. So we feel that we have a legitimate right to enter into competition with whomsoever may be there.

Therefore in order to get into this marketing, we have entered into a contract with an experienced marketing organization, Royalite Oil Company of Calgary.

Merely to set up service stations and to hope to be successful is quite a hazardous proposition in any man's language. But Royalite are people who have a very important system, with advertising programs and the facilities to supply tires, batteries and other things which go with service stations. So we have entered into a contract with them in respect to markets.

The second stage—and I should say that the first stage is merely doing what others are presently doing—is, from an economic standpoint, this: we would like to see those markets established before we go too far afield in financing. The second stage is to make use, if possible, of the existing facilities which are there.

The pipe line from Whitehorse to Fairbanks, Alaska, is in operation by the United States government and we have reason to believe and we are hopeful that it will be declared excess and will be available for civilian use.

If we can run a pipe line from Haines, Alaska, to connect with the Canol system, then we feel that we can lower the cost of transportation of gasoline and therefore the cost to the consumers. But an essential part of our program would not come until 1958.

In 1958 we propose to build a refinery at Tidewater which will place us in a position to receive crude oil in ample quantities from world markets.

A question was asked previously where this oil most likely would come from. I believe most likely it will come from Vancouver, the West Coast Transmission, to be refined at Haines, and then to be sent through the system.

That is our general program and I am very proud that it is Canadian. If I may interject a bit of humour at this stage I would like to say that when I was in Alaska some of the very fine people there gave me quite an argument as to why Alaska should be a state, and they got quite excited about it. I said: "I think you forget that I am a Canadian. The best that I can do for you is to intercede with Her Majesty and get you invited into the commonwealth." They received it very well.

However I thought I might soften it a bit by saying: we take great pride in the fact that we may be doing business in the United States, that is, in Alaska.

All the people there have heard about the great amount of United States capital coming into Canada. Here is an opportunity perhaps for us to reciprocate.

That is our general program, gentlemen, and I would be glad to answer any questions to the best of my ability. However, I am neither a technical man nor a lawyer.

We were gratified to see an editorial in the Fairbanks *News Miner*. This editorial was picked up by *Time Magazine*. The heading is "Canadian investment is welcome in Alaska". I shall not bore you by reading the whole thing unless you wish me to do so. If you do, it reads as follows:

In recent years many Alaskans have been saddened by the fact that our Canadian neighbours have been making such spectacular progress in developing their resources, while Alaska doesn't begin to enjoy a boom.

Just across the border Canadians are constructing hydroelectric projects, producing oil, and expanding mining. Since it doesn't seem likely that a man-made border had any influence on the manner in which the Creator endowed the north with natural wealth, we in Alaska can only assume that our economic climate doesn't match that of Canada, so far as attracting investment is concerned.

Therefore, it gives us great pleasure to see that Canadians are now making firm plans to expand their petroleum refining and distribution operations in Alaska. The Alaska Yukon Refiners and Distributors Limited, along with the H. C. Flood Company and the Royalite Oil Company of Canada, are laying plans to finance and erect a refinery and to move aggressively into the oil distribution picture in both Alaska and the Yukon Territory of Canada.

The Canadians even have plans to link the interior to the sea-coast by oil pipe line. Those of us in Alaska who have been paying up to \$100 a month to heat a modest home certainly welcome such news.

Certainly nobody in Alaska will find fault with the fact that this development is being sponsored by people of Canada. Alaskans and Canadians possess a bond of friendship that goes far back to the gold rush days of '98 when the border scarcely existed and people of both nations worked together and extended every assistance to each other. In recent years Alaskans have come to admire the enterprise that is building northern Canada.

So we doff our hats to the Canadian enterprisers who have mapped a major program of petroleum expansion in Alaska. We welcome them heartily and we earnestly hope that their venture is a complete success.

We were very glad to receive that editorial.

Mr. MURPHY (*Lambton West*): I do not suppose that the public relations man employed by your firm wrote it?

Mr. ROGERS: No. That was taken from the other Alaskan newspaper. Previous to its publication they took a negative viewpoint towards the whole project. But they were kind enough to come down and visit with us and after we explained our project, that editorial appeared in the press.

The CHAIRMAN: We have with us also Mr. Thomas Nelson the technical consultant for the promoters.

Mr. Thomas NELSON (*Technical Consultant to the promoters*): Mr. Chairman and gentlemen: I have been connected with this Canol project since its inception. I was first brought up here for the organization of the refinery at

Whitehorse which has since been dismantled and shipped to Edmonton where it is in operation. I worked on the Canol line, and I was on the design conferences for the present line for the United States government running from Haines to Fairbanks.

In fact, I was on my way out and I was leaving there to go back when I received a wire from these people and I was intercepted at Whitehorse and asked to come over with these people. That is my association and relationship with these people here.

There is no necessity, I believe, for me to speak at any great length as to what their plans are because I think both Mr. Porteous and Mr. Rogers dealt with them very well as far as building a line to connect Haines with Haines junction and to rehabilitate that portion of the Canol line to Watson Lake, to tie it into Whitehorse and into the operation of what was a line which went nearly as far as Fairbanks.

At present a pumper station is in operation at Whitehorse. The plan was to put in a couple of pumping stations along the line coming up from Haines in order to permit pumping back into Whitehorse and to station "E" at Kluane Lake, and then further on into Fairbanks. We would then have enough service into Whitehorse to deliver fuel to Watson Lake with one pumping station at Whitehorse. That is the general plan. I do not think there is much more I can elaborate on it for you, but if you have any questions, I shall try to answer them.

Mr. HAMILTON (*York West*): Is it settled that the Canol mileage which you will need here can be leased from the government and rehabilitated? Has that been definitely agreed upon with the government?

Mr. ROGERS: No, not yet, but it is under negotiation at the present time. However we cannot positively state that it is so. We believe it has been accepted in principle, but legally I cannot say so.

Mr. HAMILTON (*York West*): You would not be proceeding with any of this construction until you were absolutely certain that it had been arranged?

Mr. ROGERS: No. We would have to weigh conditions resulting from these negotiations.

Mr. HAMILTON (*York West*): It would be a combination type of deal where you would be leasing, and you would be responsible for the cost of rehabilitation for the portion that you used.

Mr. ROGERS: Yes, that is right.

Mr. HAMILTON (*York West*): If you should put in a refinery here, would it cover all classifications of fuel? Would you have the high octane type which is required by air transport aviation in this area?

Mr. ROGERS: Yes, but one of the principal reasons for engaging in marketing initially is to give us sound judgment as to both the size of the refinery required and the type of product which the refinery should have.

Mr. HAMILTON (*York West*): It would be the aim to use all types of resources?

Mr. NELSON: And heavy oils too.

Mr. CAVERS: How long has it been since the Canol line was in operation?

Mr. ROGERS: I understand that the line has been in continued operation.

Mr. CAVERS: I understood that one of them was not in operation at the present time.

Mr. ROGERS: That is right. The two-inch line has not operated since early in 1946.

Mr. CAVERS: What effect would that have? I mean the fact that it has not been in operation since 1946?

Mr. ROGERS: The line has been damaged in many places but the pipe itself is in good condition.

Mr. CAVERS: You would need to do quite a bit of supplementary work on it, would you not?

Mr. ROGERS: Yes, and to replace some pipe.

Mr. CAVERS: What do you consider would be the cost of rehabilitating the line to the position in which it was in 1946?

Mr. ROGERS: I would say that it would cost about \$250,000 or in that vicinity.

Mr. CAVERS: And this company has promised to go ahead and spend that money?

Mr. ROGERS: So I understand.

Mr. MURPHY (*Lambton West*): What kind of pipe is it?

Mr. NELSON: It is two-inch pipe.

Mr. MURPHY (*Lambton West*): There certainly would be a corrosion factor.

Mr. NELSON: No, there is not. Fortunately atmospheric conditions in the Yukon are such that they have very little effect on pipes or tanks.

Mr. NICHOLSON: How much mileage of the Canol project do you propose to use?

Mr. NELSON: We propose to use the portion from Whitehorse to Fairbanks, which is 600 miles, and the portion from Whitehorse to Watson Lake, which would be 270 miles.

Mr. NICHOLSON: With whom are negotiations being made? Is it with the United States or with the Canadian government?

The WITNESS: At the moment it is with the United States authority.

Mr. NICHOLSON: I believe that the hon. Mr. Chevrier told parliament that he understood that this Canol project had been taken over by the government of Canada.

Mr. SIMMONS: Mr. McIlraith is here today and he could tell us about it.

Mr. MCILRAITH: Mr. Chairman, before I add anything, I think I should make it quite clear that I am an interested party, and that I act as solicitor for the White Pass and Yukon Railway which operates the railway line from Skagway to Whitehorse. I want the members to understand my position, and I want to disclose that interest. Having disclosed my interest I am glad to give such information as I can.

Mr. HAMILTON (*York West*): I think we should hear from Mr. McIlraith.

Mr. MCILRAITH: I have not been in the territory, but I am pretty familiar with the Canol projects. There seems to be a bit of cross-purpose between members and witnesses concerning it, and it arises out of this: the Canol projects are all numbered—offhand I cannot give you the numbers for each size of the line—but certain of the Canol projects have been declared surplus and have been disposed of long ago, as much as ten year ago. I think there have been quite extensive declarations of surplus involving the Norman Wells area and the long line from Norman Wells down to the Whitehorse refinery and the refinery that was in existence at Whitehorse.

I recall this matter from my duties as parliamentary assistant to the department of Reconstruction and Supply when I often had to deal with it. So when we use the term Canol project here generally, I suggest that the committee might find it clearer if it did not use the term "Canol project" but rather used the dimension of the particular pipe line it is discussing.

Mr. NICHOLSON: I understand that Mr. Chevrier when he was Minister of Transport said that the Canadian government did purchase the northwest

communications line which was built under the Morgenthau-Ilseley agreement along the Alaska highway, and that the Canol project was included.

Mr. McILRAITH: I would have to see the answer given by Mr. Chevrier and to dig up what was intended there; but I think the matter can be reconciled and that I can clarify it for you if you will allow me to refer to the lines by taking the dimension of the line in question.

Mr. NICHOLSON: The witnesses have indicated that there are 870 miles of Canol involved here. Would Mr. McIlraith indicate whether that is owned by the United States or Canada?

Mr. McILRAITH: If we may refer to it by means of the dimensions of the pipe lines, we may clarify the details quickly. We are involved in three sizes of line, four-inch, three-inch, and two-inch.

Mr. Nelson knows all about the line but I think I can clear it up because as I say there seems to be some misunderstanding which has arisen. I think it could be disposed of quickly if I might refer to it in the way it has always been referred to in the negotiations.

The CHAIRMAN: Please go on.

Mr. McILRAITH: Starting at Skagway, the White Pass and Yukon Railway as an operating railway with its facilities was taken over by the United States army from 1942 until the end of the war. Late in 1942, without any prior negotiation or reference to building a pipe line, a four-inch pipe line was built along that railway to Whitehorse. That line has curious characteristics, in that at places it is literally on the railway ties or snow sheds, or interlaced with the railway track. For that reason, that pipe line is not used now in peace time for the transmission of gasoline because an accident on the railway might easily lead to an explosion. It is used for the pumping of oil only.

In 1946 or in 1945—I just cannot say precisely when—that line was deactivated. In 1946 or 1947 steps were taken to reactivate it and to have it operated by the railway company.

As that reactivation developed,—an agreement was signed in 1949 which provided for its operation by the United States Army. Now it, in conjunction with the three-inch line which I shall mention later on, is in use by the United States army. I shall explain the agreement more fully later on. The 3 inch line runs from Whitehorse up to Fairbanks, Alaska, a distance of around 624 miles. That line was built by the United States army in the last war as a war measure.

So today we have in operation and in use by the United States army—subject to something which I shall say later—a four-inch line from Skagway where there is the wharf and unloading facilities which are owned by the railway to Whitehorse, and from Whitehorse through the three-inch line to Fairbanks Alaska.

Mr. CARTER: There is still no gasoline in that three-inch line.

Mr. McILRAITH: No gasoline.

Mr. MURPHY (*Lambton West*): Is that three-inch line a part of the Canol project?

Mr. McILRAITH: Yes it is, but it has a different number from the four-inch line. If you take a point on the map about one half the way from Skagway to Whitehorse you will find Carcross marked where there is a pumping station.

The first pumping station there was a two-way station and I shall refer to it later on. At Carcross there was a two-inch threaded line taken off and run in an easterly direction to Watson Lake, a distance of 270 miles.

That line has been out of operation since about 1945 or 1946. I thought the date was earlier than 1946, but Mr. Nelson would have better knowledge

about it. However I think it was 1945 or 1946, at the end of the war, and it has not been used since. The line has been damaged in places by road construction and so on, and its present condition is useless as an operating line without extensive repair. It has only recently been declared surplus by the United States.

That line has never been the subject of disposal as between Canada and the United States relating to the disposal of Canol projects. I cannot give you the date of the agreement referring to that line, but it in fact says that the two-inch line, whenever the United States decided that it no longer wants it, must be turned over to the Canadian government.

Now, in the year 1953 the United States government, because of defence reasons which should be obvious about Alaska, entered into negotiations with the Canadian government, for the construction of an 8" line from Haines to Fairbanks. I have forgotten the treaty series number of this 1953 exchange of notes. However if I had been asked about it, I could have had all these things here. It gave permission to build an eight-inch pipe line from Haines to Alaska which is about 16 miles from Skagway—through British Columbia and Yukon; through part of Alaska to Fairbanks. Through part of Canada where it joins the route of the three-inch line north of Whitehorse at mileage 1016. I may be a few miles out there; and from there on it parallels the three-inch line which I referred to, up through Yukon and out into Alaska.

That eight-inch line was the subject of some difficulty a year ago when it was first put into operation but it is now in full operation and it will be the source of supply for the United States army for their very extensive supplies. Not being on the railway, it handles gasoline as well as oil.

Now the proposal here today is in respect to three lines of the Canol project; there are three small ones to be turned back by the United States. There is the four-inch line under agreement with the United States which agreement expires at the end of September 1957 and they are the three-inch and the two-inch lines referred to by me a few moments ago.

The Canadian government—that is to say the Department of Northern Affairs—has been dealing with the interested persons as to what should be done in the future; and in that connection, the Department of Northern Affairs has given an indication of what they intend to do.

As far as the four-inch line is concerned, the part of it which is in Alaska—will, I expect, be turned over by the United States authorities to the White Pass and Yukon Railway or to one of its subsidiaries.

The White Pass and Yukon Railway are the ones who procured the incorporation of Yukon Pipe line Limited. I cannot give you the precise name, but it would be the White Pass and Yukon route subsidiary company which would procure it from the United States authorities if the current plans work out.

The Canadian part of the line from that point on to Whitehorse would be made available presumably under a long-term lease from the Canadian government to the White Pass and Yukon Railway with the Canadian government retaining ownership. In addition there will be an obligation on the part of the operator to make it available in an emergency for either country, defencewise.

Dealing with the two-inch line, you will notice that the two-inch line starts at Carcross on the four-inch line, and there was a pumping station at that point which is established as a booster to the four-inch line as well as to supply the two-inch line. I do not know if it is capable of being used that way now. I do not think it is; but in any event in the last twelve or thirteen

years it has been used only as a booster on the four-inch line. With present pumping facilities on that line, the capacity of the line is of the order of 25 million gallons per year, I would say.

Mr. NELSON: That is with one station pumping you would get about 1,600 barrels a day of diesel, and 1,700 barrels of stove oil at Skagway.

Mr. McILRAITH: I have a figure of 25 million gallons.

Mr. NELSON: I think it runs between 25 million and 30 million.

Mr. McILRAITH: Yes. There is a little difference of opinion as to the total consumption of petroleum products in the Yukon area. It centres largely on the Whitehorse area. You can get that, however, from the trade and commerce officer concerned. If I had been asked the question, my information would have been that the gross consumption in the Yukon territory and in the immediately adjacent part of British Columbia would be just above the order of 16 million gallons per year divided about 11 million gallons for stove, fuel and diesel oil, and about a little over 5 million gallons for gasoline.

The WITNESS: Are you referring to imperial gallons?

Mr. McILRAITH: Yes.

The WITNESS: We use United States gallons.

Mr. McILRAITH: In any event you can check with the government authority.

Now the use of the three-inch line which is proposed here, as I understand the presentation, is that the three-inch line be intercepted at Haines Junction which is to be north west of Whitehorse, and from there the portion of it from Haines Junction back to Whitehorse be used to effect a reverse flow into Whitehorse, and that the two-inch line be lifted from Carcross and it be moved north and connected at Whitehorse and in that way the applicant company would have a supply coming in through the new pipe line to be built from Haines to Haines Junction which I am told is a four and one-half proposition; and there would be this reverse flow back into Whitehorse; and then by moving the two-inch line it would have a market to carry as far as Cassiar near Watson Lake. The Alaska Yukon Company will operate that line, and it will also have a very small use for the three-inch line to serve places only from Haines Junction to the north. The United States part of the three-inch line will serve the United States market and, as you may see from the prospectus, their operations would require United States consumption in order to be financially successful. In fact, I think it becomes a not very good operation without it. I think that could be demonstrated, if I wanted to be critical, but that is not my purpose. I have no knowledge at all as to whether they have any prospect of connecting with the three-inch United States army pipe line in Alaska.

Mr. SIMMONS: Three-inch and two-inch lines have been proven in principle.

Mr. McILRAITH: I have no way of knowing whether or not the United States part of that three-inch line will be made available. When the United States army declare that they no longer have a need for that part of the three-inch line in Canada it comes back to the Canadian government and the Canadian government have the right to dispose of it in any way they wish. That is, however, subject to keeping it as a standby to pump north. I believe that the Canadian government has indicated they would either, I am not sure which, lease or sell the three-inch line to the applicant company.

The WITNESS: That is correct.

Mr. McILRAITH: The same applies to the two-inch line.

There is a point here which I do not think has too much to do with this particular application, but I think it ought to be mentioned. Our legislation on pipe lines is that pipe line companies in an area have been a monopoly by

act of parliament under the Pipe Lines Act and permission to construct a pipe line is a matter for the Board of Transport Commissioners. The reason for that is that the Board of Transport Commissioners have jurisdiction to declare the pipe line company a common carrier and thereby gain control over the fixing of rates. The theory has been that, once in, duplicate pipe lines facilities would mean that the cost of amortizing the capital would be charged to the cost of the fuel product coming out of the line. The protection against that is that the rates of any pipe line, being a common carrier, must be fixed and the competition is assured through the common price of carrying the product through the line. That is a relevant matter for consideration by the Board of Transport Commissioners because one could say that the capacity of the four-inch line considerably exceeds the gross requirement in the Yukon Territory at the present time. Therefore that would presumably be dealt with before the Board of Transport Commissioners. Whether they would grant leave to have funds raised to build a pipe line to serve a part of the market in the Yukon Territory is something for them; that is a question to be determined by the Board of Transport Commissioners. However there is that whole question back of these competitor companies. That is the crux of this thing. I think you can see that the common interest is to keep the price of the fuel going into the Yukon down.

I might also add that there is an obligation in the contract with the United States government having to do with the removal of parts of the four-inch pipe line which is on the railway right of way.

Mr. NICHOLSON: Mr. Chairman, Mr. McIlraith volunteered this information in order to be helpful. I wonder if he would be good enough to answer a question. When Mr. Chevrier said on the 26th of May 1950, that the amount paid under this agreement was some \$11 million and included the Canol project and other things, my question is how much did we get for the \$11 million and how much of the proposed 800 miles that this company proposed to use of the Canol project will belong to the Canadian government.

Mr. McILRAITH: I cannot for the life of me now tell you what was declared surplus and passed under the Morgenthau-Ilseley agreement. I doubt if any part of the three or the two-inch line was referred to in that. Dealing with the mileage of the four-inch line, which is roughly 106 miles, about 20 miles of it is in Alaska. Dealing with the two-inch line, it is 270 miles long and is wholly in Canada and no part of it was ever in the United States. The three-inch line, the distance from Whitehorse in Yukon to Alaska is about 300 miles and an additional 325 miles in Alaska to Fairbanks. The new 4½-inch line to be built under the applicant company would be a distance of 159 miles from Haines to Haines Junction, and 40 of that 159 miles would be on United States territory.

Mr. HAMILTON (*York West*): You have declared your interest, but is your client opposed to this incorporation, or does it support it?

Mr. McILRAITH: It does not do either. As long as you have the facts that is your responsibility. We do want you to have all the facts.

Mr. HAMILTON (*York West*): Will they be appearing later before the Board of Transport Commissioners in opposition to the application for this line?

Mr. McILRAITH: I cannot answer that now. It has been discussed, but nobody can give you an answer to it at this time. As you can see there are a great many suppositions. For instance, I think it must be obvious that if a line, at the cost suggested, was being built to distribute that 16,000,000 imperial gallons in the Canadian market at the end of another existing line, I cannot imagine an application being made for it to be built.

Mr. MURPHY (*Lambton West*): Does your client have any interest in this company?

The WITNESS: None whatsoever.

Mr. HAMILTON (*York West*): Has it any interest in the company which has the line which may have to be removed from the railway right-of-way?

Mr. McILRAITH: Yes. It hopes to own the United States part of it, and lease the Canadian part of it. There is a commitment by the Department of Northern Affairs as to this leasing.

Mr. HAMILTON (*York West*): Does it have any interest in it at this time?

Mr. McILRAITH: Yes. Down at the Skagway end, for instance, the loading stem is on Yukon-White Pass dock and it owns the loading stem and also certain other facilities at that end. Then there is a question about the pumping station. The pumping station at Carcross is on the White Pass land. I think it would be pretty difficult to see the line being operated by any other persons because of the safety factor arising out of the inspection personnel going on the railway line.

Mr. SIMMONS: This company did not make application for the four-inch line due to the fact that it was on the railway line.

Mr. McILRAITH: That is right. The applicant company never suggested that they get the four-inch line because there is no practical way of operating it when it is on the railway right of way.

Mr. MURPHY (*Lambton West*): You say that this railway is owned by the American government.

Mr. McILRAITH: No. The railway is owned by the White Pass and Yukon Corporation through its subsidiaries. It is a British company which came here in the Klondike gold rush and put in the railway.

Mr. MURPHY (*Lambton West*): It was operated by the American government?

Mr. McILRAITH: The railway was taken over by the Americans only during a period of three or four war years.

Mr. HAMILTON (*York West*): The interest of the railway company in the present line is due to the fact that the loading facilities would only be available through the railway company and the pumping plants are constructed on the railway property.

Mr. McILRAITH: There may also be some question about ownership of parts of the line. The United States Army have the obligation under their agreement to remove it off the actual railway ties and so on; in other words to make it usable for gasoline is what it amounts to. When the railway applied to the Department of Northern Affairs for the four-inch line it also applied for the use of the three-inch line north which must be maintained in stand-by condition for military use. It also applied for the two-inch line as well. It did not get the two-inch or the three-inch line.

Mr. HAMILTON (*York West*): Is it feasible to remove the four-inch line off the property?

Mr. McILRAITH: The obligation is to move it away from the track edge. I would say it is not feasible as a general rule to remove it from the right of way.

Mr. ROGERS: About 90 per cent of it is on railway right-of-way and a portion of it is on a track edge.

Mr. HAMILTON (*York West*): At the time of the disposal of this line there will really only be one buyer.

Mr. SIMMONS: Nobody else is interested.

Mr. HAMILTON (*York West*): If we are to make use of it, the railways are the people who will make use of it.

Mr. McILRAITH: Yes. At the present time for the Diesel oils they use. The submissions made to the Department of Northern Affairs asking for it and for the other lines all were made predicated on it being made usable for gasoline.

Mr. CARTER: In other words, your clients are interested in the same system which the applicant company is interested in, or parts of it, and you are both competitors for the acquisition of it.

Mr. McILRAITH: Yes.

Mr. CARTER: The idea is that the line will be a common carrier.

Mr. McILRAITH: Yes. I think probably the other lines would also be declared common carriers.

Mr. ROGERS: We did not apply for the four-inch line because our engineers advised us it would not be feasible to turn it into a gasoline line.

Mr. HAMILTON (*York West*): Has this development up in that area been kicked around for several years?

Mr. McILRAITH: From our own point of view we cannot for the life of us see how they can put that much expense into serving the Yukon Territory. In other words we believe that the operation must be predicated on the applicant getting into the United States markets. They may have answers to that. Even allowing for new growth in the Yukon if you take the cost over the life of the 4½ inch proposed pipe line and assume whatever you like about their share of the Yukon markets, assuming they took it all, you would still find a sharp increase in the cost of gasoline.

Mr. SIMMONS: Mr. Chairman, I have followed very closely the interesting remarks which Mr. McIlraith has made. First of all we require competitive services in the Yukon. That is the foundation of the development of any country as we all know. We will agree that in the Yukon alone the gallonage would not be sufficient to put this refinery into being and build pipe lines unless you can get some of the foreign market, which is a good thing for Canada because of the American dollars which would flow into Canada. It is a Canadian company composed of Canadians and the money will be provided by Canadians but we need competitive services as we all know. We are a free-enterprise country and there should not be any objection to another enterprise coming into the territory. This industrial development will be an incentive for other industry to come in and develop our country. I have lived there for fifty years. I think that all the gentlemen here will realize that for the past fifty years, and up until recently, we have been handicapped up in that country by lack of transportation and services. We only had one route in and out of the Yukon for many, many years, by boat from Vancouver to Skagway, by train from Skagway to Whitehorse, and dog teams and canoes further north.

I do not think that there is any gentleman here who would begrudge the Yukon any industrial development or otherwise.

Mr. NICHOLSON: I do not think that was Mr. McIlraith's point. He was trying to find out why an investment of \$3,500,000 would be made with the possible gallonage that was involved.

Mr. SIMMONS: It is an expanding company and the Alaska-Yukon Refinery and Distributors Company will be required in the future. They have had some of the greatest analysts in this country up there. The report is excellent on the potential.

Mr. MURPHY (*Lambton West*): Is there anyone here who can speak on the market research?

Mr. SIMMONS: Yes. Mr. Rogers.

Mr. ROGERS: Mr. Sparling, the president of the Alaska-Yukon Refiners and Distributors Limited, made a market research. Another company, investment dealers for the Royalite Oil Company, made an estimate of what would be a fair expectation, but we felt they had an interest and consequently we retained the Creative Business Council of San Francisco to make a third survey as to the potential in the area.

It is quite correct that we are not basing this entirely on the Yukon to carry through the full project towards its final conclusion. We must rely heavily on the Alaskan market. However the side benefits to the Yukon Territory are tremendous by virtue of the Alaskan market being at the top end of the pipe line and our final projections in 1959 from Tok Junction over to Anchorage. What appeals to us as Canadians is the Yukon is getting the first benefit of this.

Mr. HAMILTON (York West): What we are doing here today really is to put your company in a position to carry on negotiations perhaps in competition with the other company to acquire certain of the present pipe lines and also to put you in a position to negotiate with the United States government for the others. Then it is for the Board of Transport Commissioners later on to rule as to whether or not you are the people who will get this and these other people can compete with you if they like.

Mr. ROGERS: That is correct. As far as the four-inch line is concerned, from Skagway to Whitehorse, we did not apply for that. Our engineers advised us that the cost of moving it to where it would be of use was prohibitive. The three-inch pipe running up from Whitehorse all the way to Fairbanks and the two-inch line, the Department of Northern Affairs have approved in principle for our company.

We did our initial financing. It is risk capital. I think that we need risk capital in Canada. It is risk capital to the extent that it is quite possible that our negotiations in the long run might fail. We have based our initial financing on a marketing survey. It will be a much more financially attractive proposition for all people concerned if we are able to employ these existing facilities in the three-inch and the two-inch pipe line, than to build the refinery, and then build the very long pipe line running into Anchorage.

From my own standpoint as an investment man it is one of the most attractive propositions which I have seen. There is speculation in it, of course, but there is no baby born today who does not take on future troubles.

Mr. HOSKING: Why do you not use the existing line up to Skagway?

Mr. ROGERS: It does not carry gasoline.

Mr. HOSKING: Do I understand that the United States government is going to move that so that it would carry gas?

Mr. McILRAITH: They are obligated to move it under the agreement with the railway.

Mr. ROGERS: Our engineers have advised us that it is impractical to move it and carry gasoline. It is cheaper for us to run another pipe line which will carry gasoline.

Mr. HOSKING: Even if we passed this bill the Board of Transport Commissioners could deny you the right to build this line.

Mr. ROGERS: That is our judgment.

Mr. HOSKING: They will look into it in order to determine whether or not it is economical to use the present four-inch line or to build a new 4½-inch line.

Mr. ROGERS: I do not consider that we are duplicating the lines because we are putting in a gasoline line.

Mr. HOSKING: If the American government is going to move theirs and make it a gasoline line, then they would decide whether or not yours would be a duplicate line.

Mr. ROGERS: We have had many discussions with the United States authorities.

Mr. HOSKING: It has been hinted that the market in the Yukon is not large enough to warrant the money which you are going to spend.

Mr. ROGERS: I do not think so.

Mr. HOSKING: You must have some hopes of selling gas to the United States.

Mr. ROGERS: We have every reason to hope that we are going to have large markets in Alaska. The fact that those large markets in Alaska are there makes it possible to bring this amenity of life to the Yukon.

Mr. HOSKING: The only problem you would have with the Board of Transport Commissioners would be in building this 4½-inch line in competition with the existing four-inch line.

Mr. ROGERS: I think so.

Mr. CARTER: What we are interested in is the question of whether or not your company should be incorporated so that it can carry on negotiations.

The WITNESS: Yes. Until the company is incorporated we cannot be heard by the Board of Transport Commissioners.

Mr. NICHOLSON: I note that the first clause gives the names of Mr. Sparling, Mr. Duggan, Mr. MacKinnon, Mr. Fuller and Mr. Rogers. I also note in the prospectus which has been given to us that the names at the head of the list of directors are very well known Canadians. They are: Mr. Charles M. Drury, Q.C., Montreal, President of Provincial Transport Company, Ltd., Member of the Council of the Northwest Territories, formerly Deputy Minister, Department of National Defence; Mr. George Beverly McKeen, Vancouver, Vice-President of McKeen and Wilson Ltd., Deeks-McBride Ltd., and Director of Straits Towing Ltd. I wonder if Mr. Rogers would comment as to why the names of these two directors are not included in clause 1.

The WITNESS: Perhaps I could explain that, having drafted the original petition for the bill. At that time Mr. Drury had not decided to accept a directorship in the Alaska-Yukon Refiners and Distributors. Mr. McKeen took the position of his father Senator McKeen. The question came up, that if we dealt with the Department of Northern Affairs with respect to the Canol system in connection with the three-inch and the two-inch line it would infringe the act. Mr. McKeen up to perhaps a week before this prospectus was printed was to be a director but then it became clear that he could not and he withdrew and his son took his place. In the meantime the petition had been filed.

By Mr. Nicholson:

Q. There has been a good deal of interest in parliament in connection with pipe lines. Recently Mr. Howe mentioned something about West Coast Transmission and the question as to option clauses. He intimated yesterday that there were 625,000 shares available for a nickel a piece. That would cost \$31,250. According to Mr. Howe those shares are now worth \$21,875,000 if sold at current prices. Is there any provision such as this?—A. This prospectus is for a different company.

Q. Are you making provision for option clauses for those who promoting this company?—A. Option for shares in the pipe lines company?

Q. Option clauses offered to directors in connection with this particular company?—A. Well, in connection with the offering of preferred shares, warrants were issued attached to the preferred shares entitling the buyers of the

preferred shares to buy eight common shares at varying prices up to 1962. That was the public. In addition, warrants were issued to the underwriters of the issue as part of their commission or remuneration for the underwriting, providing another 100,000 common shares at the same price, namely, \$3 per share up to \$5, during the period ending 1962.

Those are the only options outstanding, and it costs money to exercise them. The public get the same option as the underwriters; however the underwriters get it as part of their remuneration.

So far as the pipe line company is concerned we expect that the Alaska Yukon refineries will have a large participation in the equity of the company itself. We realize that we will probably have to give away some of the equity in connection with the financing of the debt. What proportion that would be we have not the faintest idea. It will depend a great deal on the market and upon what we can show as possible earnings, and whether they are gilt-edged bonds or not. But there is nothing at the moment in the way of options or anything else.

Mr. CARTER: Mr. Chairman, I think we have heard enough evidence to proceed with the calling of the clauses and not take any more time.

Preamble agreed to.

Clauses 1 and 2 agreed to.

On clause 3:

Capital stock. 3. The capital stock of the company shall consist of one million shares without nominal or par value.

The WITNESS: I have an affidavit from Mr. Sparling to the effect that it is not proposed to raise more than \$1 million through the sale of no par value common shares, that is, that the capital stock of the company is to consist of one million shares without nominal or par value which will not be issued for an aggregate consideration in excess of \$1 million.

The affidavit is vital in order to fix the total aggregate consideration, and it will be \$1 million. It will not be more than \$1 million.

Mr. JAMES: On clause 3, following the statement which has just been made, the recommendation respecting the value of shares, I move, seconded by Mr. Batten that for the purposes of levying charges under standing order 94(-3) on the proposed capital stock consisting of one million shares without nominal or par value, the committee recommends that each such share be deemed to be worth \$1.

Motion agreed to.

Clauses 3 to 5 inclusive agreed to.

On clause 6—Power to construct and operate pipe lines:

Mr. HAMILTON (York West): Is clause 6 in line with that of previous companies we have incorporated? Is the wording the same?

The WITNESS: It is just the same with the exception of the area. I am referring to the first three lines of subparagraph (a).

Mr. CARTER: Is this not just the standard form which we follow for all pipe line companies?

The CHAIRMAN: Yes.

Mr. HAMILTON (York West): We were discussing the deletion of the words "outside Canada"; but in this case this company could not operate without that clause being in.

Clauses 6 to 11 agreed to.

Title agreed to.

The CHAIRMAN: Shall I report the bill without amendment?

Motion agreed to.